



# Utah Retirement Systems Updates

*Retirement and Independent  
Entities Committee*

*June 20, 2019*



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Value • Innovation • Excellence

# URS 2018 Comprehensive Annual Financial Report (CAFR)

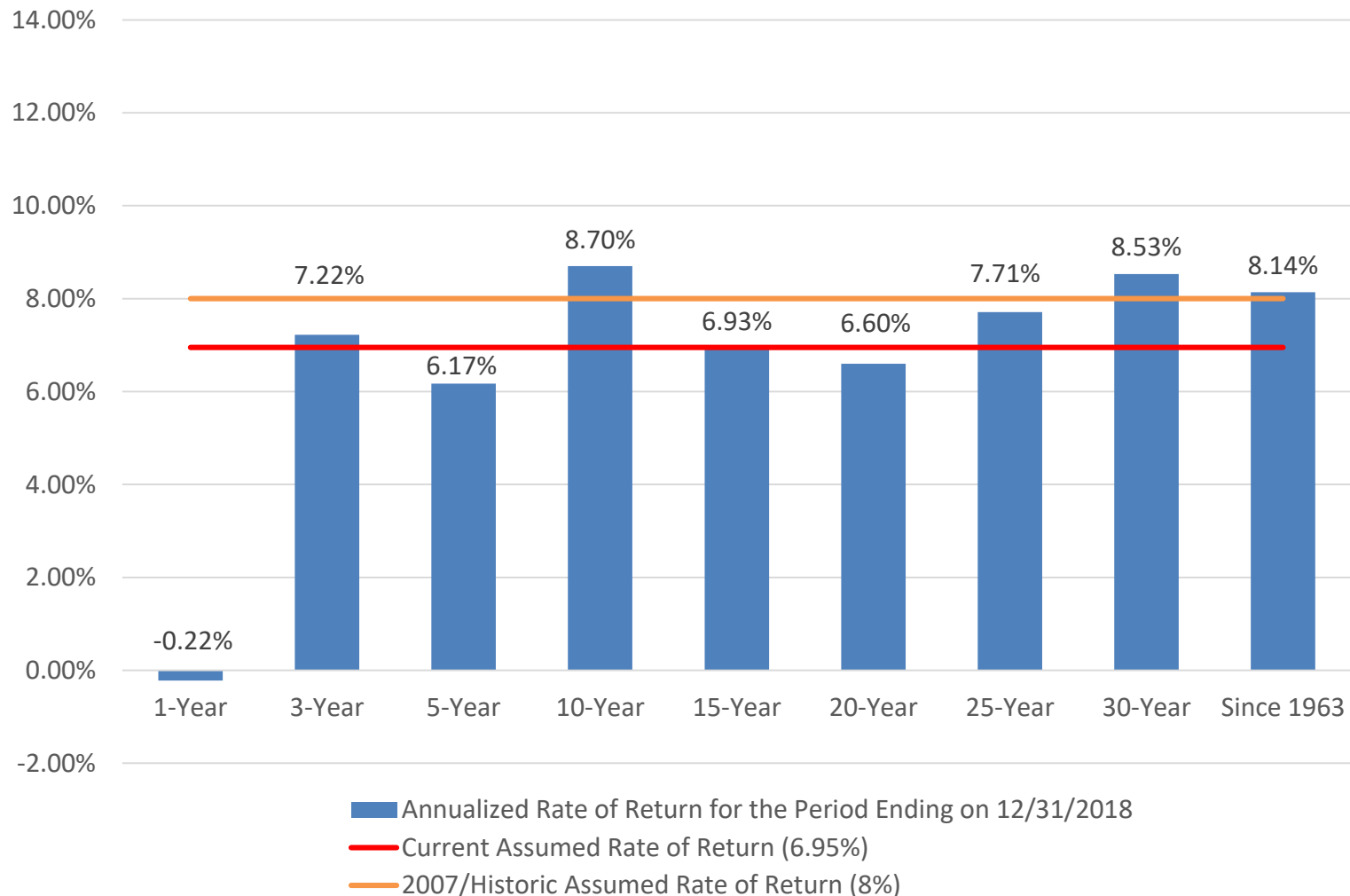


- For the Year Ended December 31, 2018
- Contains detailed audited financial and statistical information
- Is available online:  
<http://newsroom.urs.org/2018-comprehensive-annual-financial-report>

# 2018 Returns & Funded Status

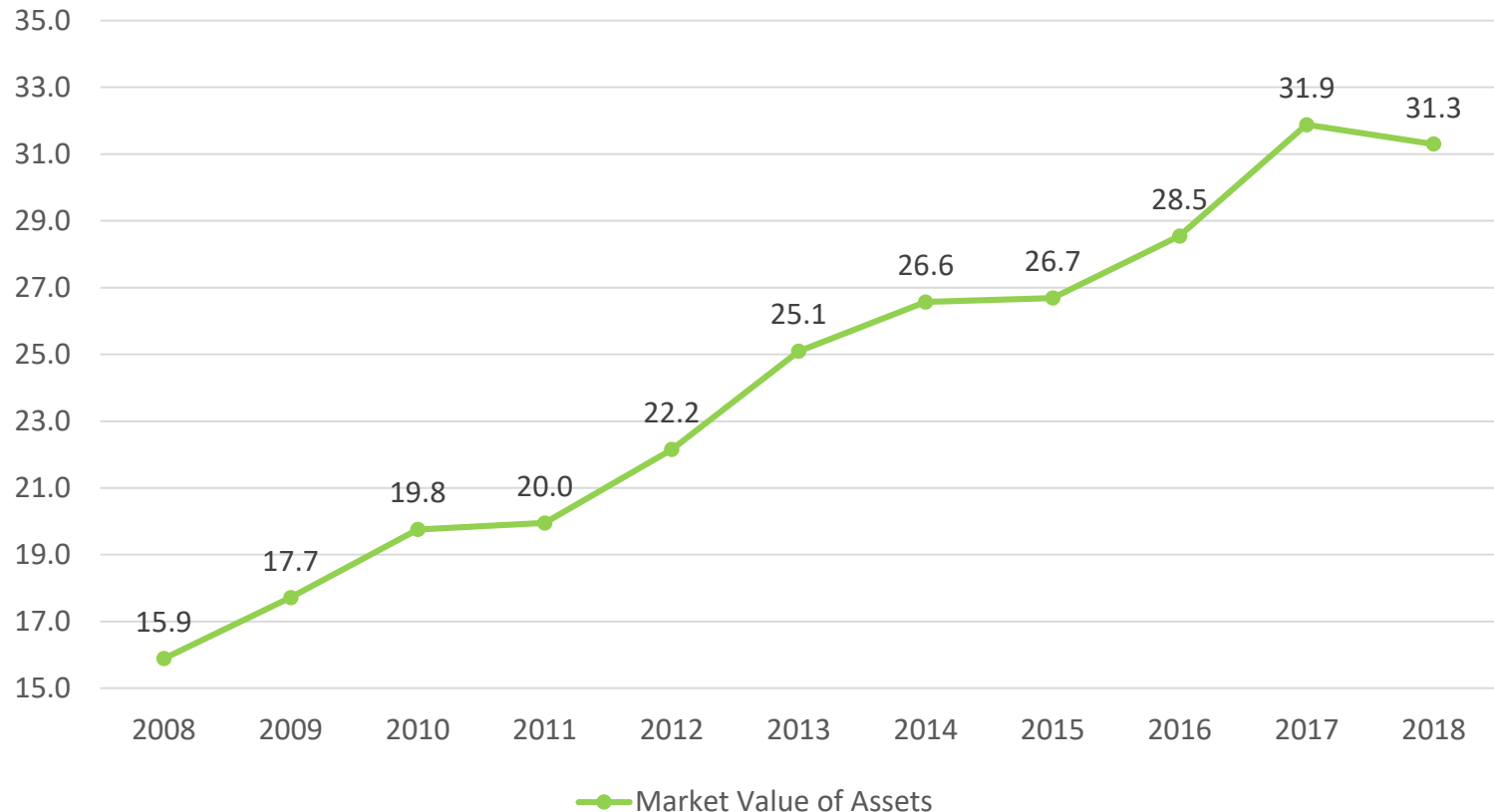
- The URS Defined Benefit (DB) fund lost 0.22%.
- The median loss of large US public pension plans in 2018 was 2.97%, while the S&P 500 lost 4.4%.
- At year's end, the funded ratio was 84.3% on a market value of assets basis and 86.9% on an actuarial value of assets basis.

# URS DB Plan Actual Rates of Return vs. Assumed Investment Rate of Return



# URS Market Value of Defined Benefit Plan Assets

(\$ in Billions)

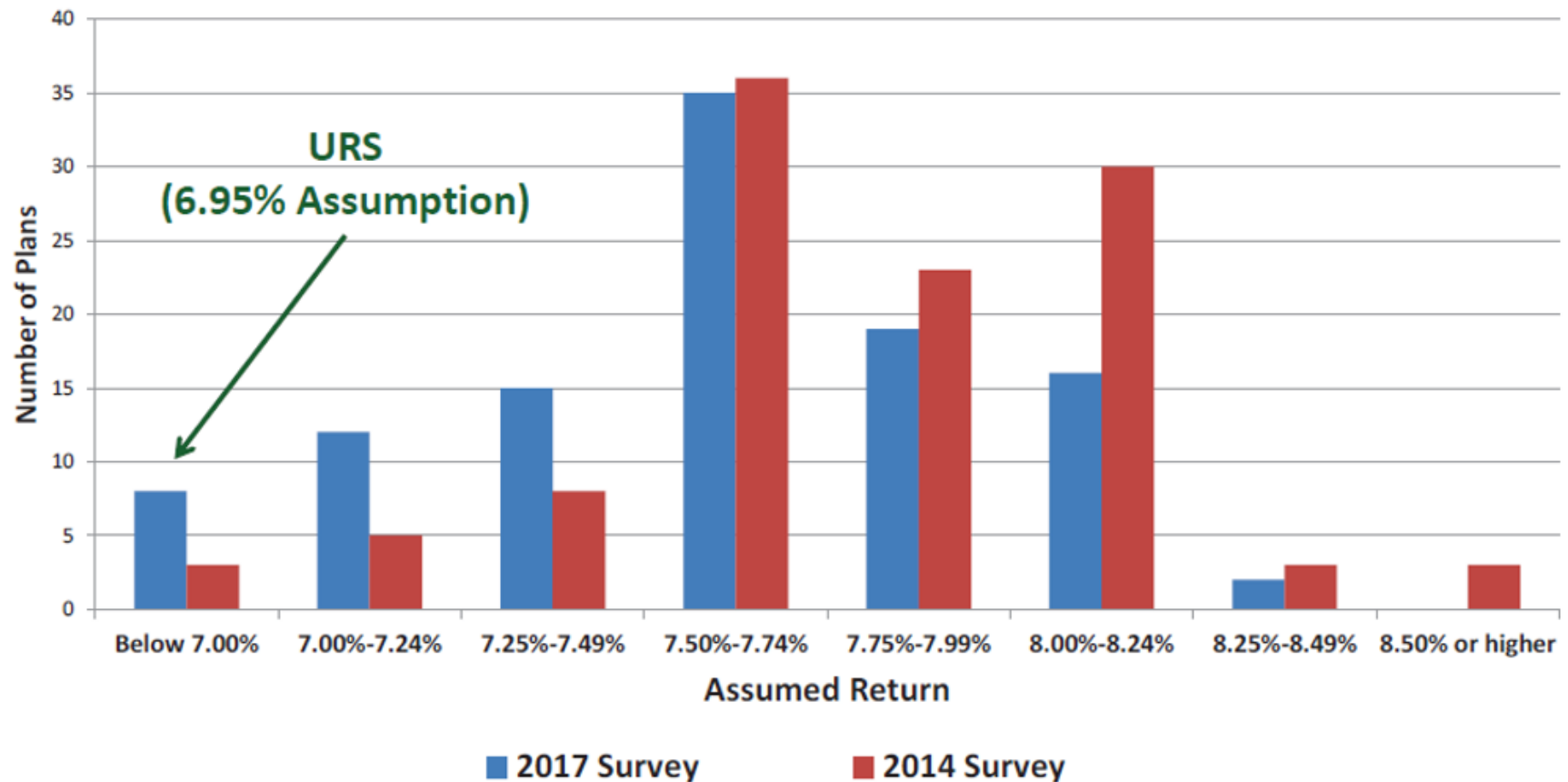


# Funded Ratios

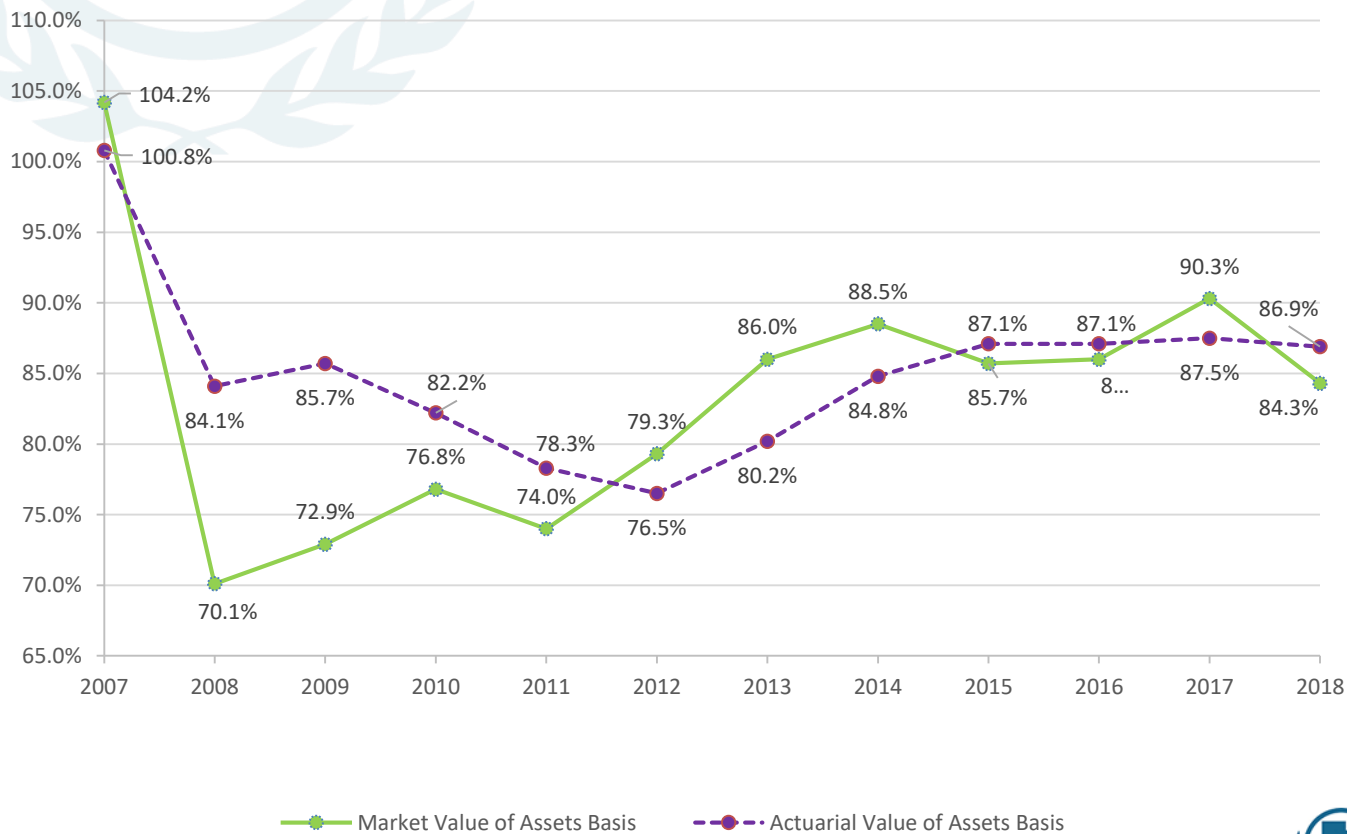
- When looking at the finances of retirement systems, many people focus on the funded ratio as a standard measure of a plan's financial status.
- It is expressed as the ratio of the value of assets to the actuarial accrued liability as of a specific point in time; it is the difference between two moving numbers.
- Since the calculation of actuarial accrued liability is based on a plan's actuarial assumptions, this raises a caution when making comparisons between funded ratios of different DB plans.
- While important information, funded ratios are often misunderstood and misused.

# Assumed Rate of Return National Comparison

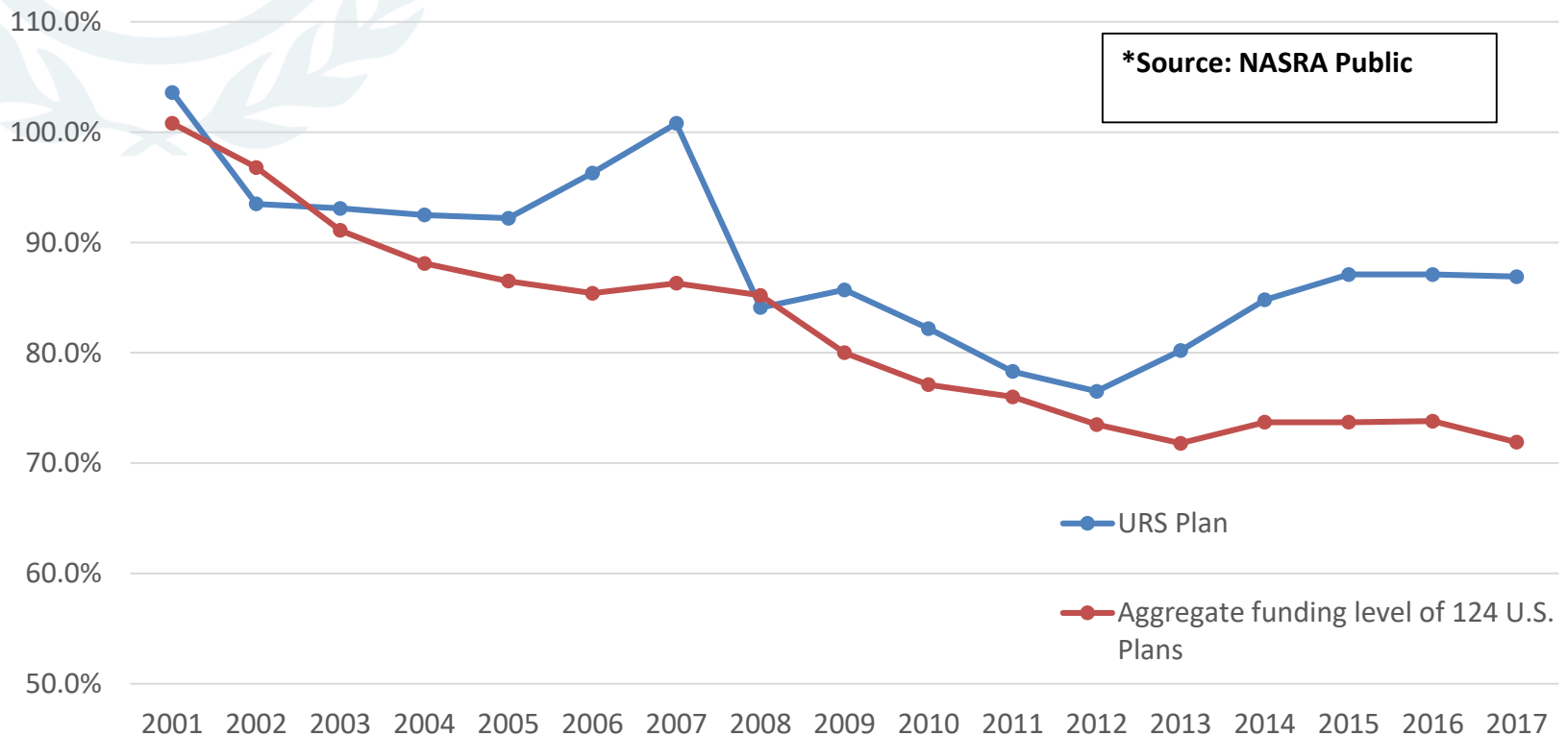
Public Fund Survey - Investment Return Assumption



# URS DB Plan Funded Ratio



## How URS compares to the aggregate public pensions fiscal year 2001 - 2017



# What if the Assumed Investment Rate of Return was Higher?

Even a small change to Assumed Investment Rate of Return can produce significant changes to the plan liabilities and funded ratios.

Assumed Investment Rate of Return	Net Pension Liability/Asset for the URS participating employers
Current discount rate (6.95%)	\$5.4 billion Net Pension Liability
1.00% Increase (7.95%)	\$1.4 billion Net Pension Liability

# Contribution Rates: Process

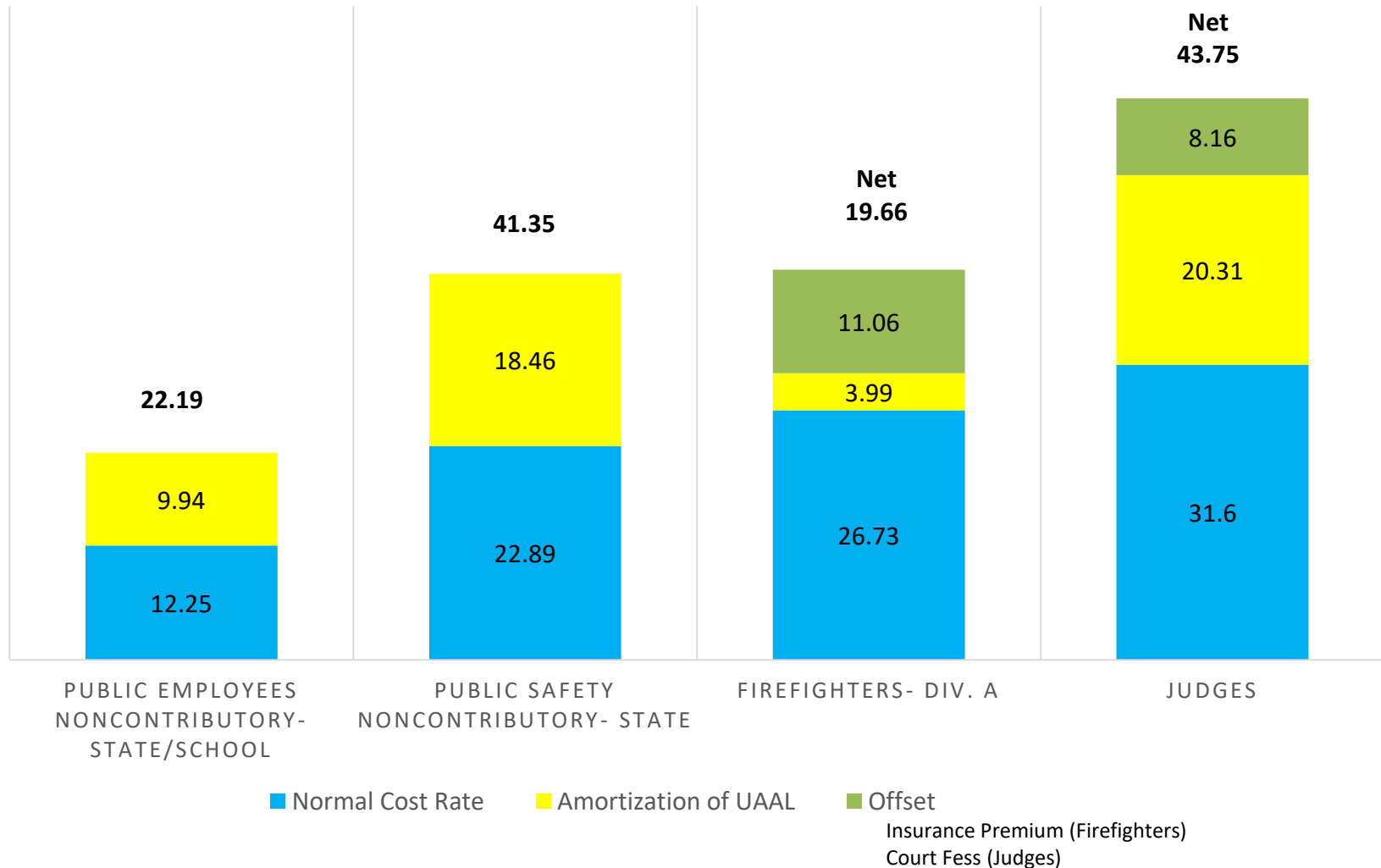
- Utah Code Title 49 requires the Board to certify employer contribution rates annually to maintain the systems, plans, and programs on a financially and actuarially sound basis.
- Preliminary rates are adopted and communicated to stakeholders each August, based on an actuarial valuation study, to take effect the following fiscal year on July 1.
- Following the legislative session, the Board adopts the final certified contribution rates, which include any rate adjustments needed to reflect benefit change legislation.
- Contribution rates cover both the employer normal cost rate, which pays the current year's cost of benefits, and an amortization of any unfunded actuarial accrued liability (UAAL).

# Contribution Rates: Process

- The consulting actuary uses a smoothed value of plan assets instead of a market value for funding purposes. This is more compatible with public sector budgeting processes in order to withstand some adverse experience without immediately requiring further contribution rate fluctuations.
- Utah Code Subsection 49-11-301(5)(a) provides a unique mechanism in which the contribution rates are certified and maintained by the Board above the actuarial calculated rates at the prior year's levels until the actuarial funded ratio of the systems reaches 110%. This results in unfunded liabilities being paid off sooner. It is also an important tool to reduce rate volatility, which benefits employers' budgeting.

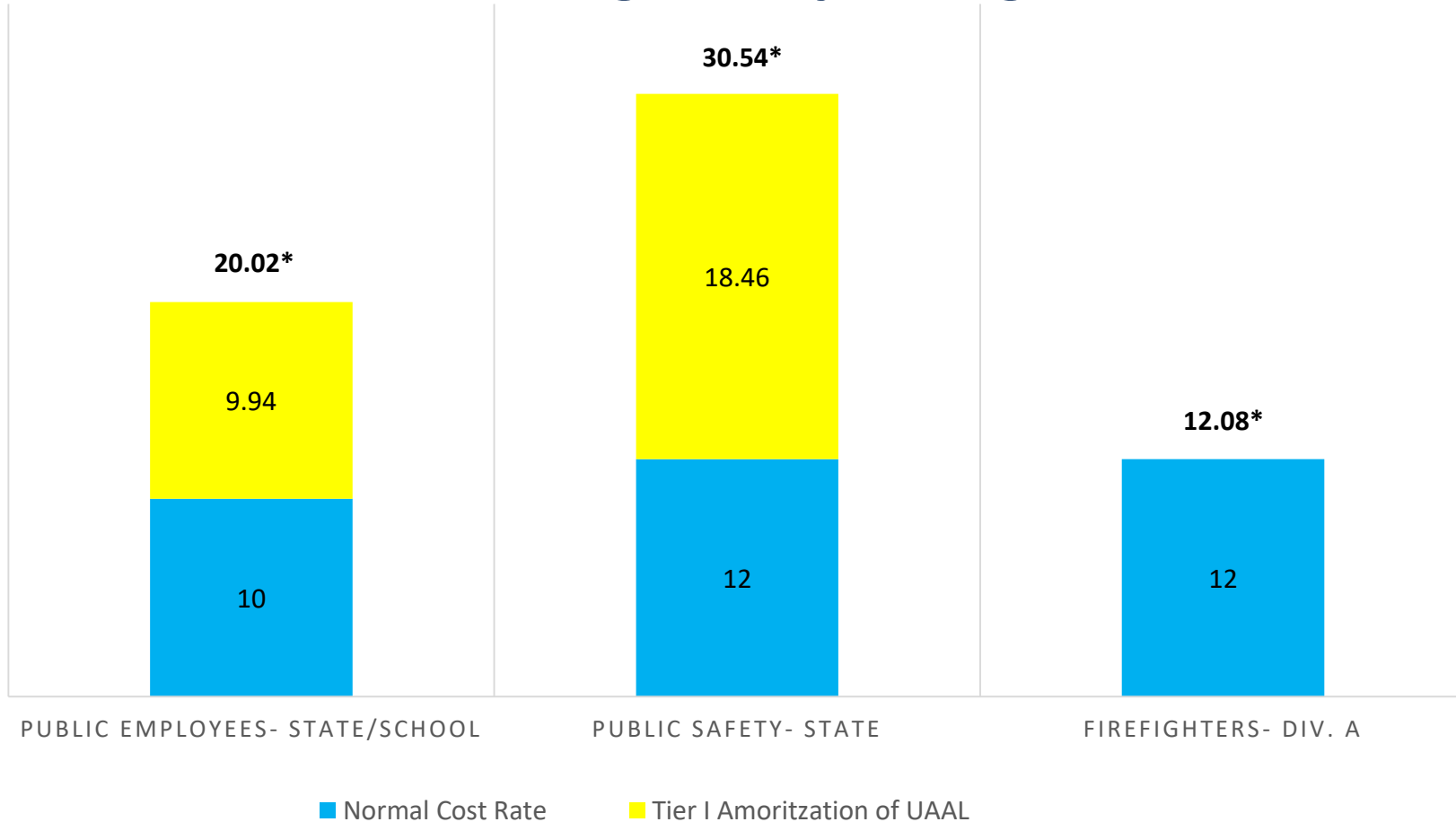
# Selected Tier I Contribution Rates

FY 2018-19 as a Percentage of Salary and Wages



# Selected Tier II Contribution Rates

FY 2018-19 as a Percentage of Salary and Wages



Public Employees Hybrid Plan Rate 8.97% & 1.03% 401(k) Contribution

Public Safety/Firefighter Hybrid Plan Rate 11.26% & .74% 401(k) Contribution

\*These rates include a 0.08% charge for an active death benefit.



# Contribution Rate Management

URS is currently working with its actuary to determine a reasonable and prudent method for managing the reduction of the contribution rate in accordance with the 110% funding rule adopted by the legislature

» Factors being considered are:

- › The current funded status of the plans
- › Projected years to 100% funding
- › Scaled reductions depending on current funded status
- › Cushions below which rates will not drop to mitigate chance of future contribution rate increases

# DB Plan Benefits Paid by URS

2009-2018 Total: \$12,965,000,000



# URS Economic Impact: 2018

**\$1.5  
BILLION**

IN PENSION BENEFITS  
PAID IN 2018



**→ 60,363 = 1.1%**

UTAHNS  
RECEIVED  
PENSION  
BENEFITS



**1.1%**

EQUIVALENT  
PORTION OF  
THE STATE'S TOTAL  
PERSONAL INCOME



**64%**

AVERAGE PORTION  
OF BENEFITS  
PAID THROUGH  
INVESTMENT  
RETURNS OVER  
THE PAST 20 YEARS

# URS Economic Impact: 2018

**8,818**

JOBS



**\$358 Million**

IN WAGES



**\$677 Million** IN GDP

**\$59 MILLION** IN STATE AND LOCAL TAX REVENUE



Source: University of Utah's Kem C. Gardner Policy Institute.